

Achievement of Market-Friendly Initiatives and Results Program

Funded by U.S. Agency for International Development

Legal Documents

Excellence in Institutional Development

A Non-Governmental Organization

Final Report

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FORWARD

This draft report was prepared by Larry Milner under the direction of Andrew Kaiser, Center of Excellence Program manager and Greta Boye, PSPI Component Leader and Chemonics International, prime contractor and TSG (The Services Group), subcontractor to the U.S. Agency for International Development for the AMIR Program in Jordan.

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Best Practices
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Bylaws
Capital
Chair
Chief Executive Officer (CEO)
Date of Commencement of Operations
Dividends
Excellence in Institutional Development (EXCELLENCE INC.)
In-Kind Shares
Liability of Shareholders
Board of Directors
Memorandum of Association
Mission
Objectives of Company (Needs work. Still vague)
Proxies
Quorum
Secretary-Treasurer
Services
Share Capital of Company
Shareholder
Shareholders
Staff
Strategic Objectives
Vice Chair
Vision

ABSTRACT

This report contains draft recommendations for the five fundamental legal documents needed to establish the new non-governmental organization (NGO) to be known as Excellence in Institutional Development (EXCELLENCE INC.). To become legally active, these document recommendations will have to be adopted by the General Assembly and the Board of Directors on the new NGO.

- ? The Articles of Association is an agreement between the Government of Jordan and the shareholders of EXCELLENCE INC. (Written by attorneys)
- ? The Memorandum of Association is an addendum to the Articles of Association detailing the specific agreements. (Written by attorneys)
- ? The Bylaws is an agreement between the shareholders of EXCELLENCE INC. and the Board of Directors (called the Management Committee in the Articles)(Written by Larry Milner)
- ? The Policy and Procedure Manual Outline is a compendium of agreements between the Board of Directors and the Management and volunteers of EXCELLENCE INC. which the new board and the staff of the NGO must develop (Written by Larry Milner).
- ? Other recommended documents to be completed upon the commencement of operations of EXCELLENCE INC. include an Employee Handbook, a Salary Administration Handbook, and a Retirement and Fringe Benefit Agreements Handbook.

Also included in this report is a brief synopsis of the necessary information for using parliamentary procedures during official meetings of the organization and a report developed by Larry Milner that outlines the internationally accepted ‘Best Practices’ for NGOs.

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EXECUTIVE SUMMARY

The Center of Excellence Program of AMIR is creating a new non-governmental organization under the association law of the Hashemite Kingdom of Jordan to carry forward into the future the concepts for institutional development that were created and refined by the COE staff under the AMIR Program's PSPI Component.

In an effort to bring to the new NGO the best practices possible, the various legal documents required for setting up a new organization were analyzed and recommendations for improvement were made. This report contains the recommendations for the five fundamental legal documents needed to establish the new non-governmental organization to be known as Excellence in Institutional Development (EXCELLENCE INC.). These documents must be adopted by the legally constituted General Assembly and the elected Board of Directors (Management Committee).

- ? The Articles of Association is an agreement between the Government of Jordan and the shareholders of EXCELLENCE INC.
- ? The Memorandum of Association is an addendum to the Articles of Association detailing the specific agreements.
- ? The Bylaws is an agreement between the shareholders of EXCELLENCE INC. and the Board of Directors (called the Management Committee in the Articles).
- ? The Policy and Procedure Manual Outline is a compendium of agreements between the Board of Directors and the Management and volunteers of EXCELLENCE INC. which the new board and the staff of the NGO must develop.
- ? Other recommended documents to be completed upon the commencement of operations of EXCELLENCE INC. include an Employee Handbook, a Salary Administration Handbook, and a Retirement and Fringe Benefit Agreements Handbook.

Also included in this report is a brief synopsis of the necessary information for using parliamentary procedures during official meetings of the organization and a report that outlines the internationally accepted 'Best Practices' for NGOs.

The key to success in operating this new NGO will be to secure dedicated directors, competent staff. The most important elements, in the opinion of this consultant, is the packaging and marketing of the technical knowledge that is to be transferred to other organizations.

It is recommended by this consultant that these documents be carefully analyzed by the new board and the new staff of the NGO for needed additions; however, it is important that very few, if any fundamental changes be made in the overall concepts of operating a NGO using internationally accepted "Best Practices."

PART ONE: ARTICLES OF ASSOCIATION

**Excellence in Institutional Development (EXCELLENCE INC.)
Section Page**

PART ONE: ARTICLES OF ASSOCIATION

Excellence in Institutional Development (EXCELLENCE INC.)
(Agreements between EID and the Government of Jordan)

QUICK REFERENCE

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PART ONE: ARTICLES OF ASSOCIATION

Excellence in Institutional Development (EXCELLENCE INC.) (Agreements between EID and the Government of Jordan)

In accordance with the provisions of the Companies Law and these Articles, between the founding Shareholders hereinafter mentioned, a Limited Liability Company is incorporated in accordance with the conditions hereinafter determined.

Article (1) :

A- The following words and phrases wherever used in this Articles shall have the meanings ascribed thereto hereunder unless the context indicates otherwise .

Articles	: These Articles of Association, or any part thereof, as may be amended from time to time pursuant to the terms and conditions therein as permitted by the enacted Companies Law.
Capital	: The Company's share Capital as stipulated in Article (7) of these Articles.
Companies Law	: The Companies Law No. (22) for the Year 1997 as may be amended or replaced.
Controller	: The Companies General Controller – employee of the GOJ.
General Assembly	: Every Shareholder.
Board of Directors	: The Company's Board of Directors appointed in accordance with the procedures and provisions stated herein to manage the Company and to carry out its affairs.
Memorandum	: The Company's Memorandum of Association, or any part thereof, as may be amended from time to time pursuant to the terms and conditions herein as permitted by the enacted Companies Law.

Minister : Minister of Industry and Trade of the Kingdom.

Shareholder : The holder of Shares in the Capital of the Company from time to time.

B- The following rules govern interpretation of words and phrases in this Articles:

- 1- Words importing the singular include the plural and vice-versa;
- 2- Words importing the past tense include the present tense and vice-versa;
- 3- Words importing persons include juridical persons and vice-versa; and
- 4- Words importing the masculine include the feminine and vice-versa.

Article (2):The Company's Name

The name of the Company is < **Excellence in Institutional Development** > **Limited Liability Company.**

Article (3): Headquarters

The registered office of the Company shall be situated at <specify actual address>, Amman, P.O.BOX () ZIP Code () TEL: (.....) and it may establish branches elsewhere within or outside the Kingdom.

Article (4): Date of Commencement & Duration of the Company

A- The duration of the Company shall be perpetual commencing on the date of commercial registration.

B- The Company shall commence operations from the date of registration in the Directorate of Companies Control and the receipt of the Certificate of Commencement pursuant to the provisions of the Companies Law.

Article (5): Status of Company & Liability of Shareholders

- A- The Company is a Limited Liability Company as per the provisions of the Companies Law. Accordingly, the number of Shareholders may not be less than (2) two, except with the approval of the Controller.
- B- The Company is a nonprofit company, and consequently:
- 1- All revenues accrued to the Company shall be used only for the purposes of covering its expenses, furthering its objectives and/or raising its Capital.
 - 2- No dividends can be distributed among the Company's Shareholders.
- C- The Company may not offer its Shares for public subscription or increase its Capital or borrow by subscription.
- D- The Company may change its status to a Public Shareholding Company, a Private Shareholding Company or a Limited Partnership in Shares Company by following the procedures provided for in the Companies Law .
- E- The Company's assets may not be attached or pledged to guarantee personal debts of any of the Shareholders or to settle or pay up such debts.
- F- The Company may not stand as a guarantor of any of the Shareholders or any other person before banks or any other party.

Article (6): The Objectives of the Company:

- A- The Company's main objective is to promote Private Sector led economic growth by supporting dynamic public and private organizations to transform themselves into centers of institutional excellence. The Company will aim at providing both private and public sector institutions with the services required to achieve the said purpose. These service may include, but not be limited to the following:
- :

1- Institutional transformation services, and this includes:

- ? Reform guidance.
- ? Strategic planning.
- ? Benchmarking assessments.
- ? Inter-agency criteria forums.
- ? Shared (management) constraint follow through.
- ? Tool-kit provision.
- ? On-line excellence exchange.

2- Advocacy services, and this includes:

- ? King Abdullah Awards (in the various sectors) criteria revision, maintenance.
- ? Task force management.
- ? Policy advocacy.
- ? Service reform/improvement advocacy.
- ? Shared (exogenous/cost-prohibitive) constraint follow through.
- ? Benchmarking training.

B- In carrying out its business, the Company shall perform all necessary acts and deeds in conformity with the applicable Companies Law for the realization and implementation of its objectives, including, without limitation:

- 1- To purchase or acquire some or all the rights, assets or obligations of any other person, commercial center or company, and to participate, merge or enter into agreements with same for mutual cooperation or to be affiliated or to cooperate with any person or Company.
- 2- To purchase, lease, exchange, rent, own and acquire for the Company's purposes any land or buildings or other real estate or rights, patents, patents on inventions, licenses, machines and equipment, or any movable or immovable property that the Company may need, and it may dispose of the same in its best interests, provided that the purchase of real estate shall not be for the purpose of trading therein.
- 3- To acquire patents or inventions, privilege rights, trade marks and industrial licenses and privilege and intellectual property rights in general which it deems advantageous to buy or acquire in any other manner and to maintain them and extend the limit of their terms, regardless of whether these advantages are in the Kingdom or outside. The Company shall also utilize and invest these advantages and agree to carry out trials and tests thereon and endeavor to make improvements on any of these privileges, inventions or rights which are acquired or intended to be acquired.
- 4- To invest and use money not immediately needed for the operation thereof according to the method it considers appropriate and beneficial.
- 5- To accept grants, to borrow any money necessary for the operation thereof or related thereto and to mortgage some or all of its assets and moveable or immovable properties as security to the loans and obligations of the Company or those of other person or Company.
- 6- To enter with any other entity, private or public, into contracts and agreements deemed necessary and appropriate for the operation thereof and in relation thereto and to execute such agreements or arrangements.

- 7- To merge with any other Company having similar objects by way of sale, purchase or partnership or by any similar or other arrangements, and to enter into any contract or other agreement with any party which advances the Company's objectives.
- 8- To open accounts at banks and to deposit into, withdraw from, close and change the type of same.
- 9- To import machines, equipment and programs that the Company may need to carry out any other matters or things that are or may be necessary to achieve the objectives stated above or any of them, whether stated clearly or not, and may carry out the said things either in person or through agents or representatives thereof.
- 10- To carry out any other matters or activities that are or may be necessary to achieve the objectives stated above or any of them, whether stated clearly or not, and may carry out the said activities either in person or through agents or representatives thereof.

Article (7): Share Capital of the Company

- A- The Capital of the Company shall be (30,100) thirty thousand and one hundred Dinars divided into (7) seven Shares with a par value of (4300) four thousands and three hundred Dinars per Share.
- B- No Shareholder may hold at any time more than (1) one Share in the Company.

Article (8): In-Kind Shares

- A- If the Company's Capital or a part thereof is in-kind Shares, then the holders of such Shares shall keep same and refrain from disposing of them until they are delivered to the Company, registered in its name and the title thereto is transferred to it.
- B- If the holders of in-kind Shares do not comply with delivering and transferring the title of these Shares, as the case may be, to the Company within (30) thirty days of the Company's registration, which is subject to renewal upon the Controller's approval, they such Shareholders shall be bound by operation of Companies Law *de jure* to pay the value thereof in cash, according to the price approved by the founders in the Company's Memorandum. The Controller has the right to request proof of the accuracy of the evaluation of the value of the in-kind Shares.
- C-1-If the Controller is not convinced of the accuracy of the evaluation of the in-kind Shares presented by the Shareholders, the Minister shall, based on the Controller's recommendation, shall form a committee from specialized and experienced persons at the Company's expense to evaluate the concerned Shares' monetary value, provided that one of the Shareholders is a member of the committee. The committee shall present its report to the Controller within a period that does not exceeding (30) thirty days from the date of its formation.
- 2-The Shareholders may object to the Minister on this report within (10) ten days of its presentation to the Controller. The Minister shall arrive at a decision concerning the

objection within (2) two weeks of its presentation to the Controller. If he accepts the objection, the Company's registration will be rejected unless the Shareholders accept the evaluation, in which case the registration procedures shall be completed in accordance with the provisions of this the Companies Law.

D- Concession rights, patents, technical know-how and other intangible rights are considered as in-kind assets.

Article (9):

Name, Class and Number of Shares, Nationality, Age, Address and Signature of each founding Shareholder:

Name	Number of Shares	Nationality	Address	Signature

Executed with my knowledge:

Name of Advocate: _____

Signature: _____

Address: _____

Date: _____

PART TWO: MEMORANDUM OF ASSOCIATION

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PART TWO: MEMORANDUM OF ASSOCIATION

(Part of the Articles of Association – More detail description of Articles’ key provisions)

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35. Company's Losses	40
36. Law applies where no clear provision	40

PART TWO: MEMORANDUM OF ASSOCIATION

Excellence in Institutional Development (Details of the Agreements between EDI and the Government of Jordan)

In accordance with the provisions of the Companies Law and this Memorandum, between the founding Shareholders hereinafter mentioned, a Limited Liability Company is incorporated in accordance with the conditions hereinafter determined.

Definitions and Interpretation of Words

Article (1) :

A- The following words and phrases wherever used in this Memorandum shall have the meanings ascribed thereto hereunder unless the context indicates otherwise .

Applicable Law	: The Companies Laws, regulations, rules and any other instruments having the force of Companies Law in the Kingdom as issued, in force and effect and amended from time to time.
Articles	: The Company's Articles of Association, or any part thereof, as may be amended from time to time pursuant to the terms and conditions therein as permitted by the enacted Companies Law
Capital	: The Company's share Capital as stipulated in Paragraph (A) of Article (8) of this Memorandum.
Chair	: The Chair of the Board of Directors
Company	: Excellence in Institutional Development Limited Liability Company.
Companies Law	: The Companies Law No. (22) for the Year 1997 as may be amended or replaced.
Controller	: The Companies General Controller.
Court	: Court of First Instance in whose jurisdiction the headquarters of the Jordanian company or

the main branch of the foreign company is located.

General Assembly	: Every Shareholder.
Board of Directors	: The Company's Board of Directors appointed in accordance with the procedures and provisions stated herein to manage the Company and to carry out its affairs.
Manager	: The Company's Manager appointed by the General Assembly according to the Companies Law.
Memorandum	: This Memorandum of Association, or any part thereof, as may be amended from time to time pursuant to the terms and conditions herein as permitted by the enacted Companies Law.
Minister	: Minister of Industry and Trade of the Kingdom.
Private Sector	: Any business corporation or company the majority of its shares is held by non-governmental persons.
Shareholder	: The holder of Shares in the Capital of the Company from time to time.

B- The following rules govern interpretation of words and phrases in this Memorandum:

- 1- Words importing the singular include the plural and vice-versa;
- 2- Words importing the past tense include the present tense and vice-versa;
- 3- Words importing persons include juridical persons and vice-versa; and
- 4- Words importing the masculine include the feminine and vice-versa.

Memorandum & Articles Complimentary

Article (2) :

This Memorandum shall form a part and parcel of the Articles and be complimentary to and be read along with the said Articles.

Article (3):The Company's Name

The name of the Company is < *Excellence in Institutional Development* > Limited Liability Company.

Article (4):Headquarters

The registered office of the Company shall be situated at <specify actual address>, Amman, P.O.BOX () ZIP Code () TEL: (.....) and it may establish branches elsewhere within or outside the Kingdom.

Article (5): Date of Commencement & Duration of the Company

- A- The duration of the Company shall be perpetual commencing on the date of commercial registration.
- B- The Company shall commence operations from the date of registration in the Directorate of Companies Control and the receipt of the Certificate of Commencement pursuant to the provisions of the Companies Law.

Article (6):Status of Company & Liability of Shareholders

- A- The Company is a Limited Liability Company as per the provisions of the Companies Law. Accordingly, the number of Shareholders may not be less than (2) two, except with the approval of the Controller.
- B- The Company is a nonprofit company, and consequently:
 - 3- All revenues accrued to the Company shall be used only for the purposes of covering its expenses, furthering its objectives and/or raising its Capital.
 - 4- No dividends can be distributed among the Company's Shareholders.
- C- The Company may not offer its Shares for public subscription or increase its Capital or borrow by subscription.
- D- The Company may change its status to a Public Shareholding Company, a Private Shareholding Company or a Limited Partnership in Shares Company by following the procedures provided for in the Companies Law .

E- The Company's assets may not be attached or pledged to guarantee personal debts of any of the Shareholders or to settle or pay up such debts.

F- The Company may not stand as a guarantor of any of the Shareholders or any other person before banks or any other party.

Article (7):The Objectives of the Company:

A- The Company's main objective is to promote Private Sector led economic growth by supporting dynamic public and private organizations to transform themselves into centers of institutional excellence. The Company will aim at providing both private and public sector institutions with the services required to achieve the said purpose. These services may include, but not be limited to the following:

1- Institutional transformation services, and this includes:

Reform guidance.

- ? Strategic planning.
- ? Benchmarking assessments.
- ? Inter-agency criteria forums.
- ? Shared (management) constraint follow through.
- ? Tool-kit provision.
- ? On-line excellence exchange.

2- Advocacy services, and this includes:

- ? King Abdullah Awards (in the various sectors)criteria revision, maintenance.
- ? Task force management.
- ? Policy advocacy.
- ? Service reform/improvement advocacy.
- ? Shared (exogenous/cost-prohibitive) constraint follow through.
- ? Benchmarking training.

B- In carrying out its business, the Company shall perform all necessary acts and deeds in conformity with the applicable Companies Law for the realization and implementation of its objectives, including, without limitation:

11- To purchase or acquire some or all the rights, assets or obligations of any other person, commercial center or company, and to participate, merge or enter into agreements with same for mutual cooperation or to be affiliated or to cooperate with any person or Company.

- 12- To purchase, lease, exchange, rent, own and acquire for the Company's purposes any land or buildings or other real estate or rights, patents, patents on inventions, licenses, machines and equipment, or any movable or immovable property that the Company may need, and it may dispose of the same in its best interests, provided that the purchase of real estate shall not be for the purpose of trading therein.
- 13- To acquire patents or inventions, privilege rights, trade marks and industrial licenses and privilege and intellectual property rights in general which it deems advantageous to buy or acquire in any other manner and to maintain them and extend the limit of their terms, regardless of whether these advantages are in the Kingdom or outside. The Company shall also utilize and invest these advantages and agree to carry out trials and tests thereon and endeavor to make improvements on any of these privileges, inventions or rights which are acquired or intended to be acquired.
- 14- To invest and use money not immediately needed for the operation thereof according to the method it considers appropriate and beneficial.
- 15- To accept grants, to borrow any money necessary for the operation thereof or related thereto and to mortgage some or all of its assets and moveable or immovable properties as security to the loans and obligations of the Company or those of other person or Company.
- 16- To enter with any other entity, private or public, into contracts and agreements deemed necessary and appropriate for the operation thereof and in relation thereto and to execute such agreements or arrangements.
- 17- To merge with any other Company having similar objects by way of sale, purchase or partnership or by any similar or other arrangements, and to enter into any contract or other agreement with any party which advances the Company's objectives.
- 18- To open accounts at banks and to deposit into, withdraw from, close and change the type of same.
- 19- To import machines, equipment and programs that the Company may need to carry out any other matters or things that are or may be necessary to achieve the objectives stated above or any of them, whether stated clearly or not, and may carry out the said things either in person or through agents or representatives thereof.
- 20- To carry out any other matters or activities that are or may be necessary to achieve the objectives stated above or any of them, whether stated clearly or not, and may carry out the said activities either in person or through agents or representatives thereof.

Article (8): Share Capital of the Company

A- The Capital of the Company shall be (30,100) thirty thousand and one hundred Dinars divided into (7) seven Shares with a par value of (4300) four thousands and three hundred Dinars per Share.

B- Name, Class and Number of Shares, Nationality, Age, Address and Signature of each founding Shareholder:

Name	Number of Shares	Nationality	Address	Signature

C- No Shareholder may hold at any time more than (1) one Share in the Company.

Article (9): In-Kind Shares

A- If the Company's Capital or a part thereof is in-kind Shares, then the holders of such Shares shall keep same and refrain from disposing of them until they are delivered to the Company, registered in its name and the title thereto is transferred to it.

B- If the holders of in-kind Shares do not comply with delivering and transferring the title of these Shares, as the case may be, to the Company within (30) thirty days of the Company's registration, which is subject to renewal upon the Controller's approval, such Shareholders shall be bound *de jure* to pay the value thereof in cash, according to the price approved by the founders in the Company's Memorandum. The Controller has the right to request proof of the accuracy of the evaluation of the value of the in-kind Shares.

C- 1-If the Controller is not convinced of the accuracy of the evaluation of the in-kind Shares presented by the Shareholders, the Minister shall, based on the Controller's recommendation, form a committee from specialized and experienced persons at the Company's expense to evaluate the concerned Shares' monetary value, provided that one of the Shareholders is a member of the committee. The committee shall present its report to the Controller within a period not exceeding (30) thirty days from the date of its formation.

2-The Shareholders may object to the Minister on this report within (10) ten days of its presentation to the Controller. The Minister shall arrive at a decision concerning the objection within (2) two weeks of its presentation to the Controller. If he accepts the objection, the Company's registration will be rejected unless the Shareholders

accept the evaluation, in which case the registration procedures shall be completed in accordance with the provisions of the Companies Law .

D- Concession rights, patents, technical know-how and other intangible rights are considered as in-kind assets.

Management of the Company

Article (10): Constitution of the Board of Directors

The Company shall be managed by a Board of Directors composed of (7) seven members, whether they are Shareholders or others.

Article (11): Inaugural Board of Directors

The Inaugural Board of Directors of the Company shall consist of the Company's founding Shareholders stipulated in Paragraph (B) of Article (8) of this Memorandum.

Article (12): Members of the Board of Directors

A- After the inaugural Board of Directors, the Board of Directors shall constitute the following:

- 1- Winner of the King Abdullah Award for Government Performance and Transparency. The office term of this member shall be for two years.
- 2- Winner of the King Abdullah Award for Private Sector. The office term of this member shall be for two years.
- 3- Winner of the King Abdullah Award for Business Association. The office term of this member shall be for two years.
- 4- Winner of the King Abdullah Award for Non-governmental Organizations. The office term of this member shall be for two years.
- 5- Three representatives of private companies. The office term of these members shall be for two years.

B- Selection Process of Directors:

1- Selecting Representatives from the Winners of King Abdullah Award (KAA):

King Abdullah Award for Government Performance and Transparency Board of Directors Seat:¹

One of the award winners (defined as the top five ranked institutions) will be chosen to sit on the Board of Directors. The General Assembly will solicit nominations from those institutions in the top five who have a permissible legal framework. The General Assembly will then select a representative from this group. Should the internal findings

determine that one or more of these winning entities is not of the desired standard, the General Assembly may choose to veto these applications.

Should none of the award winners have a legal mandate that allows for them to sit on the Board of Directors, the term of the member currently sitting on the Board of Directors (from the previous years award, or the relevant member in the inaugural Board of Directors, as the case may be) will be duly renewed for an additional term.

King Abdullah Award for Private Sector Performance Board of Directors Seat:

The King Abdullah Award for the Private Sector is awarded every second year. Awards are given for six categories:

1. Large manufacturing organizations
2. Large service organizations
3. Small or medium size manufacturing organizations
4. Small or medium size service organizations
5. Agriculture and agricultural marketing organizations

The General Assembly will solicit applications from all six institutions winning in these categories. Should there be more than one applicant from the above award winners, the General Assembly will vote. The applicant receiving the most votes shall be asked to join the Board of Directors as the Private Sector award representative. The General Assembly is encouraged to rotate sectors when voting amongst Private Sector award applicants (i.e. abstain from repeatedly selecting the winner of one of the above categories).

Should there be no applicants from the above Private Sector award winners, the term of the member currently sitting on the Board of Directors (from the previous years award, or relevant member in the inaugural Board of Directors, as the case may be) shall be duly renewed for an additional term.

King Abdullah Award for Business Associations (BA) and King Abdullah Award for Non-Governmental Organization (NGO) Seats:

These awards are yet to be created. Upon the launch of each, the General Assembly will assess the award categories and agree upon a system for nominating and selecting Board of Directors representatives from the award winners of these sectors. The General Assembly will use the selection processes for the King Abdullah Award government and Private Sector winners (per the above) as a guide in selecting representatives from King Abdullah award winners in the BA and NGO sectors.

Until the time when they are created, the seats will remain to be filled either by representatives from the Multi-national Private Company or from the members of the inaugural Board of Directors.

2- Selecting Representatives from Multi-National Private Company Representative Board of Directors Seats²

Board of Directors members for these three seats will be determined through an open application process. The process of appointing these Board of Directors members will be carried out in an open and transparent manner, with broad consultation throughout the business and economic community. Three months prior to one of these Board of Directors seats becoming available, nominations will be solicited through various print media and Private Sector associations.

All nominees will be acknowledged, and the General Assembly will vote to elect a member from the pool of applicants. The criteria for selection, to be refined and decided on by the General Assembly prior to advertisement, should include individuals who head Private Sector organizations (or the Jordanian branch of international companies), have demonstrated leadership, excellence, and innovation, and who have contributed significantly to the advancement of Private Sector led growth in Jordan and/or internationally.

3- All nominees shall agree to undergo training for a period not exceeding half a day on the roles and responsibilities of the Board of Directors and shall be aware of the management by-laws and sign that they accept their contents.

Article (13): Replacement of the Inaugural Board of Directors:

A- The replacement process of members of the Inaugural Board of Directors (as a result of the selection process contemplated in Paragraphs (A) and (B) of Article (12) of this Memorandum) shall be conducted according to the following order-thus the term of each member thereof shall be determined accordingly:

- 1- The selected winner of the King Abdullah Award for Government Performance and Transparency shall replace *(please insert the name of Shareholder)*.
- 2- The selected winner of the King Abdullah Award for Private Sector shall replace *(please insert the name of Shareholder)*.
- 3- The selected winner of the King Abdullah Award for Business Association shall replace *((please insert the name of Shareholder))*.
- 4- The selected winner of the King Abdullah Award for Non-governmental Organizations shall replace *((please insert the name of Shareholder))*.
- 5- The selected representatives of Multi-national private companies shall replace *((please insert the name of Shareholders))*.

B- The General Assembly shall solicit nominations in the manner described in Paragraph (B) of Article (12) of this Memorandum for each of the various seats in order to elect individuals for replacing members of the sitting Board of Directors. This process should not take more than four months. If applicable, Shareholders

² King Abdullah Private sector performance award winners may also be considered for these seats.

may, however, nominate themselves for consideration as multi-national private company representatives should they choose.

Article (14): Chair of the Board of Directors

The Board of Directors shall select on a yearly basis a Chair and a deputy Chair from the Private Sector members. The Board of Directors shall also elect secretary and the Company's authorized signatories.

Article (15): Vacancy in the Board of Directors

If the office of any member of the Board of Directors becomes vacant, for whatever reason, he shall be succeeded by a member elected by the remaining Board of Directors members. The appointment, in such a manner, shall continue to be provisional until it is presented to the Company's General Assembly in its next meeting in order for it to approve such an appointment, or to elect the person who shall occupy the vacant post in accordance with the provisions of the Companies Law. In such a case, the new member shall hold office for the remaining period of the term of office of his predecessor and, thereafter, the provisions of this Article shall apply.

Powers of the Board of Directors

Article (16):

- A- The Board of Directors shall have full power to manage the Company.
- B-
 - 1- The Board of Directors shall carry out all activities necessary to ensure the proper function of the company business and achievement of its objectives and goals. Such activities shall *inter alia* include borrowing from banks and financial companies, provision of guarantees, purchase of movable and immovable property and mortgage the same. However, the Company's borrowings may not exceed (.....%) of its Capital without the approval of the General Assembly.
 - 2- The Board of Directors shall be governed by written policies and procedures as clarified in the by-laws, have the option to hold meetings that are open to the stakeholders (not with prejudice to their duties of confidentiality under the Companies Law), and shall not interfere with the day-to-day management of the Company.. Fundamental responsibilities of the Board of Directors will include: (1) hiring and firing the chief executive officer; (2) setting policies governing the Company; (4) maintaining the integrity of the Company's advocacy services by reviewing service requests, (5) monitoring the Company's financials, and (6) Convey select results/findings from the Company's services to relevant public and Private Sector entities that can benefit from such findings.
- C- The Board of Directors shall prepare the Company's annual balance sheet and final accounts including the profit and loss account, necessary clarifications and cash flow statement, fully audited by a licensed auditor in accordance with

recognized and accredited international auditing principles, in addition to the annual report on the Company's activities. The Board of Directors shall then submit them to the Company's General Assembly, during its annual ordinary meeting and shall present the Controller with a copy thereof, accompanied with the appropriate recommendations. This should be done within the first (3) three months of the Company's new fiscal year.

- D- 1- Subject to the provisions of Subparagraphs (2) and (3) of this Paragraph, the Board of Directors shall prepare by-laws to organize the Company's financial, accounting and administrative affairs. Such by-laws shall specify in detail the duties, responsibilities and powers of the Board of Directors regarding the said issues. The said by-laws shall not contradict the provisions of the Companies Law and/ or any other legislation in force. Copies of these by-laws shall be sent to the Controller.
- 2- The organization of the Company's financial, accounting and administrative affairs, proposed in the Company's by-laws shall be compatible and in line with the relevant best international practices (to the extent possible).
- 3- The by-laws mentioned in Subparagraph (1) of this Paragraph, and any amendment or replacement thereto, shall be subject to the approval of the General Assembly in an extraordinary meeting.

Article (17):

Members of the Board of Directors shall be prohibited from assuming any position in any other company with objectives similar to or competitive with the Company's business and from realizing any work similar to the Company's business, whether for their own account or for the account of others, with or without payment, or to participate in managing another company having objectives similar to or competitive with those of the Company, except with approval of the General Assembly by a majority vote of not less than (75%) of the Shares forming the Company's Capital.

Article (18):

The Board of Directors and each of its members shall be responsible towards the Company, the Shareholders and others for any violation of the provisions of the Companies Law, the regulations issued pursuant thereto, the Company's Articles and Memorandum, and decisions issued by its General Assembly or Board of Directors .

Article (19):

- A- The Board of Directors shall meet upon a written invitation from its Chair or his deputy, in case of the Chair's absence.
- B- The quorum of the Board of Directors meetings shall be met if attended by the majority of its members. The resolutions of the Board of Directors shall be adopted

by an absolute majority of the members present at the meeting and in case of equality of votes the chairman of the meeting shall have a casting vote.

- C- Voting on the Board of Directors's decisions shall only be made in person and by the member thereof himself. Voting by proxy or by correspondence or by another indirect manner shall not be permitted.
- D- The Board of Directors shall have at least six meetings during the fiscal year of the Company, provided that not more than two months lapse before holding one meeting. The Controller shall receive a copy of the invitation for each of the said meetings.
- E- The Chair may invite any person/party, or a representative thereof, to attend the meetings of the Board of Directors. Such a person may attend the meetings of the Board of Directors as an observer without having the right to vote on its resolutions..

Article (20): Shareholders Register

- A- The Company shall keep at its headquarters a special register for the Shareholders in which the following information pertaining to them shall be recorded. The Board of Directors shall be responsible for this register and for the accuracy of the information listed therein:
 - 1. Name of the Shareholder, his title if any, nationality, domicile and exact address.
 - 2. Number and value of Shares owned by a Shareholder.
 - 3. Alterations that may occur on a Shareholder's Share(s), its details and dates thereof.
 - 4. Attachments, mortgages or any other liens and the details that may occur to a Shareholders Share(s).
 - 5. Any other information that the Board of Directors decides to record in the register.
- B- Each Shareholder in the Company shall have the right to examine the register either in person or through a person authorized in writing therewith.
- C- The Chair shall annually and within the first month following the end of the Company's fiscal year provide the Controller with the particulars included in the Shareholders register provided for in Paragraph (A) of this Article and with any amendment, change or alteration that may occur in this respect thereof, within a period not exceeding (30) thirty days from the date the change or the alteration take place.

Article (21): The Company's General Assembly

- A- The General Assembly shall hold at least one ordinary meeting per year upon the invitation of the Chair and in the place and on the date specified thereof, provided that this meeting shall be held within the four months following the end of the fiscal year of the Company.
- B- 1- The General Assembly may hold one or more extraordinary meeting upon the request of the Board of Directors to discuss any of the issues falling within its jurisdiction in accordance with the provisions of the Companies Law, in any of the following two situations:
- ? Upon the request of a number of Shareholders holding at least one quarter of the Company's Capital, provided that a copy of the request is sent to the Controller.
 - ? Upon the request of the Controller should he receive a request from Shareholders holding at least (15%) of the Company's Capital, and is satisfied with the reasons indicated therein.
- 2- Should there be no response to the request from the Chair within a week of the date of its submittal, the Controller shall call for a meeting at the Company expense.

Article (22): The Legal Quorum for General Assembly Meetings

- A- The quorum for the ordinary meeting of the General Assembly shall be met if attended by a number of Shareholders representing more than one-half of the Company's Capital, whether they attend in person or by proxy. If such quorum is not present within one hour from the time set for starting the meeting, then such meeting shall be postponed to another date which will be held within (15) fifteen days from the date set for the first meeting. The absent Shareholders shall be notified of this, and the quorum at the second meeting shall be considered valid with the Shareholders present, regardless of their number or the percentage of Shares owned by them in the Capital.
- B- The quorum for the extraordinary meeting of the General Assembly shall be valid if attended by a number of Shareholders representing (100%) of the Shares which form the Company's Capital, whether in person or by proxy. If such quorum is not present within one hour from the time set for starting the meeting, then such meeting will be postponed to another date to be held within (10) ten days from the date set for the first meeting. The absent Shareholders shall be re-notified thereof, and quorum for the second meeting shall be valid if attended by (100%) of the Shares forming the Company's Capital, whether in person or by proxy. Should such quorum not be present, the meeting shall be cancelled irrespective of the reasons for calling it.

Article (23): The Agenda for the Ordinary General Assembly Meetings

A- The agenda of the General Assembly in its ordinary annual meeting shall include the following:

1. Discussion of the report prepared by the Board of Directors on the Company's operations, activities, financial position during the past fiscal year, and future Company plans.
2. Discussion and approval of the balance sheet, profit and loss account and cash flow of the Company after hearing and discussing the report of the auditors.
3. Election of the Manager or Board of Directors, as the case may be, in accordance with the Companies Law.
4. Election of the Company's auditors and determination of his remuneration.
5. Any other matters which the Manager or Board of Directors may present to the General Assembly, or any issue presented by any Shareholder which the General Assembly accepts to discuss, provided that none of these issues is of the type which can only be discussed in an extraordinary meeting in accordance with the Companies Law and this Memorandum.

B- The General Assembly shall adopt its decisions with respect to any of the issues stipulated in Paragraph (A) of this Article by majority votes of the Shares of the Capital represented in the meeting and each Share shall have one vote.

Article (24): The Agenda for the Extraordinary General Assembly Meeting

A- The General Assembly may be invited to an extraordinary meeting. None of the following issues can be discussed unless they have been stated in the agenda for this meeting:

1. The amending the text to the Company's Articles or Memorandum.
2. Increase or decrease of the Company's Capital and determination of the Share premium or discount, provided that the provisions stipulated in the Companies Law pertaining to the decrease of the Company's Capital are observed and that the method of increasing the Capital is specified.
3. Merger or incorporation of the Company by any of the incorporation methods stated in the Companies Law.
4. Dissolution and liquidation of the Company.
5. Discharge of the Manager or Board of Directors or any of its members.
6. Sale of the Company or all of its assets, or the ownership of another company or buying all or part of its assets.
7. Guarantee of third parties' obligations if the Company's interest so requires.
8. Any issue that falls within the jurisdiction of the extraordinary General Assembly stated in the Companies Law or this Memorandum.

B- If the aim is to restructure the Capital, the Company may decrease and re-increase its Capital at the same extraordinary meeting of the General Assembly convened for this

purpose, provided that the invitation shall contain the justifications and feasibility which this procedure aims at, and that the restructuring of the Capital shall be published in two local newspapers for at least one time.

- C- The General Assembly may at its extraordinary meeting discuss any of the issues mentioned in Paragraph (A) of Article (23) (the Agenda of the ordinary General Assembly meeting) of this Memorandum, provided that the said issues are listed in the invitation for the meeting. The General Assembly shall adopt its decisions by the majority of the Capital Shares represented in the meeting.
- D- The General Assembly shall adopt its decisions in respect of any of the issues provided for in Paragraph (A) of this Article by (100%) of the Capital Shares represented in the meeting. Decisions adopted by the General Assembly regarding the issues mentioned in clauses (1), (2), (3), (4) and (6) of Paragraph (A) and Paragraph (B) of this Article shall be subject to the provisions of approval, registration and publication stipulated in the Companies Law
- E- If the General Assembly fails, during its ordinary or extraordinary meetings, to reach a decision as a result of a tie in the votes in two consecutive meetings, the Controller shall grant it a period that does not exceed (30) thirty days to reach the appropriate decision. In case such a decision is not reached, the Controller is entitled to refer the same to the Court to decide on its liquidation.

Article (25): Voting of Shares & Proxies

At all meetings of the General Assembly, a Shareholder may vote either:

- (i) in person,
- (ii) by granting a proxy to another Shareholder or
- (iii) by duly notarized power of attorney in favor of a non-Shareholder. Proxies shall be in writing in accordance with the form below and must be signed by the Shareholder or his duly authorized legal representative:

Excellence in institutional Development of Limited Liability Company

I, the undersigned, of _____, being a registered shareholder of the
**Excellence for Administrative Development of Private and Public Sector Institutions
Limited Liability Company**, hereby appoint:

_____ of _____ or failing them,
_____ of _____ or failing them,
_____ of _____,

as proxy to attend at and vote for and on behalf of the
undersigned at the General Assembly meeting to be held on
the _____ day of _____, 20____ and at any
adjournment of that meeting as follows:

Voting Instructions		
Resolution	In Favor	Against
(indicate instruction to proxy by way of a cross in the space provided above)		

and, absent such instructions, to vote as they think fit.

DATED this _____ day of _____, 20____.

Signature of Shareholder

Article (26) General Provisions of the General Assembly

- A- Each Shareholder in the Company shall be notified to attend the meetings of the General Assembly whether these meetings are ordinary or extraordinary. Invitations shall be delivered by hand against a signature of receipt, or sent via registered mail at least (15) fifteen days prior to the date set for the meeting, provided that the invitation includes the annual work schedule and is accompanied by the documents required in the Companies Law. The Shareholder shall be considered notified of the invitation within a period that does not exceed (6) six days of the date of its deposit in the registered mail on his address registered at the Company.

- B- The Controller shall not be invited to attend meetings of the General Assembly, whether they are ordinary or extraordinary. However, the Board of Directors shall provide the Controller with a copy of the minutes of the meeting signed by the meeting's chairman and the Secretary thereof within ten days of the date of convening such meeting. The Controller may attend the meeting upon the request of the Board of Directors or upon a written request by Shareholders holding at least (15%) of the Shares which form the Company's Capital.
- C- If the procedures set out in Paragraph (A) of this Article are not observed, the Controller may reject the meeting's minutes and the decisions issued thereof unless the Shareholder(s) who were not notified and did not attend the meeting, agree in accordance with the aforementioned provisions to consider themselves notified without his or their Shares entering the quorum set for issuing the decision.

Article (27): Increase of the Company's Capital

- A- The Company may increase its Capital after the full payment thereof. The payment of the increase amount shall be determined according to the resolution of the extraordinary meeting of the General Assembly, provided that (50%) of such amount shall be deposited at a bank in the Kingdom. The remainder of the increase amount shall be paid within the (2) two years following the Controller's approval.
- B- The decision of the extraordinary General Assembly shall be notified to the Controller, accompanied with the minutes of the meeting in question and an amended version of the Company's Articles and Memorandum.
- C- The decision of the extraordinary General Assembly shall be subject to the Controller's approval and to the procedures of registration and publication in the Official Gazette.

Article (28): Decrease of the Company's Capital

- A- The Company may decrease its Capital if same exceeds its needs or if the Company sustains losses amounting to more than (50%) of the said Capital, provided that the relevant provisions of the Companies Law are observed.
- B- The Controller shall, at the expense of the Company, publish an announcement on (3) three consecutive days in at least one daily newspaper of the Company decision to decrease its Capital. The Company's creditors shall have the right to submit a written objection against the said decision to the Controller within (15) fifteen days from the last date of publication of the said announcement. Any creditor shall also have the right to appeal the decision regarding the decrease of the Company's Capital before the Court if the Controller fails to settle his objection within (30) thirty days from the date of the submission of the said objection thereto, provided that such an appeal does not stop the decrease procedures, unless the Court decides so.

Article (29): Fiscal Year of the Company

The fiscal year of the Company shall start on the 1st of January of each year and shall end on the 31st of December of the same year . However, the first fiscal year for the Company shall start from the date of its registration and ends in

Article (30): Books of Account

The Company shall organize its accounts and keep its registers and books in accordance with generally accepted accounting principles.

Article (31): The Statutory Reserve and the Voluntary Reserve

- A. The Company shall deduct (10%) of its annual net profits for the account of the statutory reserve and shall continue to deduct the same percentage each year, provided that the total deducted amounts for the said reserve shall not exceed the Company's Capital.
- B- The General Assembly may decide to deduct an amount not exceeding (20%) of the Company's annual net profits for the account of the voluntary reserve. The General Assembly shall only be used to further the Company's purposes and objectives.

Article (32) Dividends

The Company is a nonprofit company, and hence no dividends may be distributed to the Shareholders.

Article (33): Shareholder Assignment of his Shares in the Company

- A- Subject to Paragraph (C) of Article (8) of this Memorandum, each Shareholder may assign his Shares in the Company to any of the Shareholders or to others as per an assignment deed in accordance with the form adopted by the Controller. The assignment deed shall be signed in accordance with the procedures followed in registering the Company in pursuance to the provisions of the Companies Law.
- B- In all cases, the assignment deed shall be authenticated with the Controller, announced and its due fees collected. This assignment may not be used as evidence against the Company, Shareholders or others except from the date of its authentication with the Controller.
- C- A Shareholder may not assign his Shares in the Company by means other than their sale to his spouse, or a relative of any degree or a mort main.

Article (34): The Sale by a Shareholder of his Share in the Company

- A- Should a Shareholder in the Company wish to sell all or part of his Shares to a third party, the Shareholder shall submit an application regarding this issue to the Manager

or Board of Directors, as the case may be, and copies of same to the Shareholders and the Controller indicating the price he is requesting and the number of Shares he wishes to sell. The Manager or Board of Directors shall notify the remaining Shareholders of the conditions for assignment, either by hand against signature or via registered mail within a week of the application. The Shareholders shall have a preemptive right to purchase the Shares at the offered price and the Manager or Chair shall notify the Controller in writing of his notification to the Shareholders. Otherwise, the same will be held responsible for any damage that may befall an affected Shareholder.

- B- Should more than one Shareholder offer to purchase the Share(s) to be assigned at the offered price, the Shares shall then be divided among those Shareholders wishing to purchase each in proportion to the percentage of his Share in the Company's Capital. In event of disagreement on the price, the Controller shall, at the seller's and buyer's expense, appoint a licensed auditor in order to determine the price, and the evaluation of which shall be final and the Shares shall be divided among the Shareholders who wish to purchase. If the Shareholder does not observe the completion of the sale or purchase after the issuing of the report, he then shall be responsible for the expenses born towards the Company.
- C- Should a period of (30) thirty days lapse from the date on which the Shareholders are notified of the sale conditions without any of them expressing a wish to purchase, whether at the offered price or at the price evaluated by the licensed auditor, the Shareholder wishing to sell shall have the right to sell his Share to a third party at the price offered or at the evaluated price as a minimum.
- D- Should any of the Shareholders or a third party not express a wish to purchase the Share(s) on sale within (30) thirty days of the expiry of the period specified in the above-mentioned Paragraph (C) to the effect that the sale of the Share(s) becomes impossible, then the Shareholder wishing to sell may ask the Controller to sell the Shares at a public auction, in accordance with directives issued by the Minister pursuant to the Controller's recommendation for the purpose of carrying out the sale by public auction.

Article (35): A Shareholder's Preemptive Right to Purchase a Shareholder's Share in the event an Execution Order Concerning the Share has been Issued

If a Court decision is issued regarding an execution on the Share(s) of any Shareholder who is indebted, then the preemptive right for purchasing such Share(s) shall be given to the remaining Shareholders in the Company. If none of the Shareholders offers to purchase same or if agreement on the price has not been reached within (30) thirty days of the date of issue of the conclusive decision, then such Shares shall be offered for sale at a public auction. Each Shareholder may participate in his name in the auction on the same rank with others and purchase such Share(s) for himself.

General provisions

Article (36): Company's Losses

- A- Should the losses of the Company exceed half of its Capital, the Manager or Board of Directors shall invite the General Assembly to an extraordinary meeting in order to decide on whether the Company should be liquidated or continue to exist in a manner that would rectify its position. If the General Assembly fails to reach a decision in this respect within (2) two consecutive meetings, the Controller shall grant the Company a grace period of not more than (1) one month to reach the decision. If it fails in reaching a decision, the Company shall be referred to Court for the purposes of compulsory liquidation in accordance with the provisions of the Companies Law .
- B- Should the Company's losses amount to three quarters of its Capital, the Company shall be liquidated unless the General Assembly decides in an extraordinary meeting to increase the Company's Capital to deal with the losses or quench the losses in accordance with the accredited international accounting and auditing standards, provided that the total of the remaining losses does not exceed half of the Company's Capital in both cases

Article (37): Application of Provisions Pertaining to a Public Shareholding Company over a Limited Liability Company

The provisions pertaining to the Public Shareholding Company shall apply to the Company where there is no clear provision in respect thereof in the provisions relating to Limited Liability Companies.

Executed with my knowledge:

Name of Advocate: _____

Signature: _____

Address: _____

Date: _____

PART THREE: BYLAWS

**Excellence in Institutional Development (EXCELLENCE INC.)
Section Page**

PART THREE: BYLAWS

Excellence in Institutional Development (EXCELLENCE INC.) (Agreements between the Shareholders and the Board of Directors)

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PART THREE: BYLAWS

Excellence in Institutional Development (EXCELLENCE INC.)

(Agreement between members of the NGO and the Board of Directors)

- 1. Name:** *Excellence in Institutional Development* (EXCELLENCE INC.) a limited liability Jordanian company using EXCELLENCE INC. as a trade name..
- 2. Location of principal office:** Amman, Jordan
- 3. Purpose of EXCELLENCE INC.:** To promote private-sector-led economic growth by helping dynamic public and private organizations in Jordan and beyond transform themselves into centers of excellence in institutional leadership, management, and operations.
- 4. EXCELLENCE INC.'s Services:** To achieve its purpose, EXCELLENCE INC. on a fee basis will provide its clients with two primary services: 1) expertise for institutional transformation, and 2) expertise in public policy advocacy.
- 5. Clarification of EXCELLENCE INC.'s Expertise on Institutional Transformation:** Includes guidance for institutional reform by using international best practices in the management areas of a) leadership; b) human resources; c) knowledge; d) processes; and e) outcomes and by encouragement of the embracing of three institutional values known as the Pillars of Excellence (citizen-centered, results-focused, and transparency). Management methodologies to be used by EXCELLENCE INC. include strategic planning, benchmarking assessments, inter-agency forums, shared opportunities, training materials, and on-line idea exchanges.

6. Clarification of EXCELLENCE INC.'s Expertise in Policy Advocacy:

Includes guidance for gaining institutional excellence by using sound advocacy strategies in the public arena. Specific advocacy services include assisting clients in a) preparing for the King Abdullah Awards competition and other national and international awards; b) forming and managing inter-agency task forces created to gain synergy for institutional improvement; c) developing the strategies, the research, the funding, and the tools for public policy advocacy efforts to insure a climate for institutional excellence; and d) identifying, training, and certifying expertise of private consulting firms in benchmarking practices.

7. The Board of Directors: The members and the officers of the Board of Directors shall:

- a. Be named in accordance with the Articles of Association and the Memorandum of Association for the EXCELLENCE INC.
- b. Provide governance for EXCELLENCE INC., represent it both nationally and internationally, and accept the ultimate legal authority for the company.
- c. Establishes and maintains EXCELLENCE INC. as a legal entity and each director shall have the specific fiduciary duties of care, loyalty, and obedience to the law of the Kingdom of Jordan.
- d. Acts as trustee of shareholders' interests by being certain the assets are secure, the quality of service, programs, activities, the prestige, and good will of EXCELLENCE INC. are preserved.

- e. Accomplishes its functions through regular meetings and by establishing a committee structure that is appropriate to the size of the organization and the Board of Directors.
- f. Assures that the purpose of EXCELLENCE INC. and especially makes certain its Strategic Plan including its Vision and Mission Statements, its Strategic Objectives, and its Action Plans are current and are being followed by all parts of the organization.
- g. Participates fully in the development and the updating of the Strategic Plan.
- h. Approve major actions of EXCELLENCE INC., such as capital expenditures and major programs and service changes.
- i. Ensures that the management has realistic and strong marketing programs and targets to meet the financial sustainability goals of EXCELLENCE INC.
- j. Provides adequate supervision and support to the Chief Executive Officer, ensuring financial solvency of the organization, interpreting and representing the organization to the community, and instituting a fair system of policies and procedures for human resource management.
- k. Makes or ratifies all contracts on behalf of EXCELLENCE INC. and has authority to delegate full or limited contracting responsibility to the Chief Executive Officer.
- l. Evaluates the facilities and resources of EXCELLENCE INC.
- m. Prevents unauthorized actions.

- n. Reviews reports, staff performance, and financial statements of EXCELLENCE INC.
- o. Annually review and approve EXCELLENCE INC.'s budget.
- p. Approve major policies.
- q. Annually approve the Performance Review of the CEO and establish compensation based on recommendations of the Chair.
- r. Approves appropriate compensation and benefit policies and practices for all employees.
- s. Annually participates in a review of the performance of the Board of Directors and take steps to improve its performance.
- t. Assures that management succession is properly being provided.
- u. Assures that the financial structure of EXCELLENCE INC. is adequate for its current needs and its long-term strategy.
- v. Assures that the Board of Directors and its committees are adequately and currently informed, through staff reports and other methods, of the condition of EXCELLENCE INC. and its operations.
- w. Ensures that published reports properly reflect the operating results and financial condition of EXCELLENCE INC.
- x. Approves the appointment of independent auditors subject to approval by the General Assembly.
- y. Ascertains that the Chair and the CEO have established appropriate policies to define and identify conflicts of interest throughout the organization, and are diligently administering and enforcing those policies.

- z. View serving on the Board of Directors as a responsibility and not as a source of personal power.

8. Officers of EXCELLENCE INC.: The officers of the company will include a Chair, a Vice Chair, a Secretary-Treasurer, and a Chief Executive Officer. The terms of office are to be for one year with each being eligible for re-election by the General Assembly for an additional one year term.

9. Chair of the Board of Directors:

- a. As leader of the Board of Directors, the Chair assures that the Board of Directors fulfills its responsibilities for the governance of EXCELLENCE INC. and is the person responsible for maintaining and strengthening the philosophy of the organization by making certain all programs, actions, and expenditures are aimed at achieving the agreed-upon vision and the mission of EXCELLENCE INC. The chair will serve as the chief non paid officer and is elected by the Board of Directors.
- b. The Chair shall serve as the moderator for both the meetings of the Board of Directors and meetings of the General Assembly and will use proper parliamentary procedures as outlined in Robert's Rules of Order or other approved authoritative sources. The chair will insist on using good meeting management principles in all sessions of the Board of Directors.
- c. It shall be the tradition of EXCELLENCE INC. that the Chair will serve a term of two consecutive years and will not eligible for re-election as chair after serving for two years. The Chair may be elected to a second term of

office after a two year period of the office being filled by another individual.

- d. The Chair is responsible for moderating the meetings of the Board of Directors, insuring that it functions effectively, and interacts properly with EXCELLENCE INC.'s management.
- e. With the CEO, the Chair is responsible for the development of agendas for the meetings of the Board of Directors and the General Assembly. Also with the CEO, the Chair is responsible for recommending the composition of the Board of Directors subcommittees and the committee chairpersons.
- f. The Chair also assists the CEO in recruiting new Board of Directors member nominees and other talent for whatever non paid assignments are needed.
- g. Annually the Chair should focus the Board of Directors's attention on matters of institutional governance that relate to its own structure, role, and relationship to management.
- h. As a partner with the Chief Executive Officer, the Chair will help the CEO achieve the mission of the organization. It is the duty of the Chair to optimize the relationship between the Board of Directors and the management.
- i. The Chair is responsible for preparing an annual review of the CEO and recommending salary and benefit changes for consideration by the entire

Board of Directors. The Chair may delegate this responsibility to a Personnel Committee of the Board of Directors.

- j. The chair shall serve as the major spokesperson for EXCELLENCE INC.

10. Vice Chair of the Board of Directors

- a. The Vice Chair shall serve as moderator of the meetings of the Board of Directors and the General Assembly in the absence of the Chair. The position will also carry with it two additional titles of Chair-Elect and Parliamentarian.
- b. The Vice Chair shall serve as the chair of the Service Committee of the Board of Directors that has general oversight of the programs of EXCELLENCE INC.
- c. The Vice Chair shall also serve during Board of Directors and General Assembly meetings as the chief parliamentarian ruling on the procedures of voting on issues brought before the Board of Directors by the individual directors. The Vice Chair shall use as the rule of parliamentary law the latest edition of the book entitled “Robert’s Rules of Order” or other authoritative sources approved by the Board of Directors.
- d. The Vice Chair, in the role as Chair-Elect, shall assume the position of Chair at the end of the current Chair’s term of office, if confirmed by the Board of Directors by a majority vote of a quorum at a regularly scheduled meeting of the Board of Directors.

11. Secretary-Treasurer of EXCELLENCE INC.

- a. Will serve as the main financial supervisor for the Board of Directors by working closely with the Chief Executive Officer.
- b. Shall cause to be kept accurate financial records for the corporation and oversee the delegation of authority to staff members to deposit money, drafts, and checks in the name of and to the credit of the corporation in the banks and depositories designated by the Board of Directors;
- c. Will oversee the endorsements for deposit notes, checks, and drafts received by the corporation as ordered by the Board of Directors, making proper vouchers for the deposit;
- d. Will oversee the disbursements of corporate funds and issue checks and drafts in the name of the corporation as ordered by the Board of Directors;
- e. Upon request, provide the chair and the Board of Directors an account of transactions by the treasurer and of the financial condition of the corporation; and, shall perform other duties prescribed by the Board of Directors.

12. Chief Executive Officer of EXCELLENCE INC.

- a. Shall be responsible to the Board of Directors for the conduct and management of the business of the organization and will serve at the will of the Board of Directors;
- b. Shall be responsible for keeping current the Strategic Plan of the organization;
- c. As a partner of the chair, will be responsible for determining the general direction of the organization.

- d. As a partner with the Vice Chair, shall be responsible for carrying out the approved action plans for the organization.
- e. As a partner of the Secretary-Treasurer, shall be responsible for providing the necessary personnel to appropriately account for the financing of EXCELLENCE INC.
- f. Shall be responsible to see that orders and resolutions of the Board of Directors are put into effect;
- g. Shall have the authority to co-sign with the Chair or the Secretary-Treasurer and to deliver in the name of the corporation deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the articles or bylaws or by the Board of Directors to another officer or agent of the corporation;
- h. Shall cause to be maintained the official minutes and the records of the Board of Directors and the activities of EXCELLENCE INC.
- i. Shall be the alternative spokesperson for the chair;
- j. Shall have the sole hiring, training, and supervisory responsibilities for the paid employees of EXCELLENCE INC. whose positions have been approved by the Board of Directors and are included in the approved budget of the organization.
- k. Shall have the sole responsibility for reprimanding or firing of any employee.

l. Shall perform other duties prescribed by the Board of Directors.

13. Officers of EXCELLENCE INC. Limitations: No officer, director, or staff member of EXCELLENCE INC. shall make any representation in public or in private, orally or in writing, which states, or appears to state, an official policy or position of the company without specific and/or prior authorization to do so.

14. Filling vacancies of officers and directors: Should a vacancy occur among the officers or directors of EXCELLENCE INC., the vacancy will be filled by a person nominated and elected by a majority vote of the Board of Directors and shall serve the unexpired term of office of the vacancy.

15. Quorum for conducting business: A quorum for conducting business for EXCELLENCE INC. will be a majority of the duly elected directors. Therefore, with seven directors, at least four members of the Board of Directors must be present to conduct official business.

16. Number and use of standing committees: The Chair shall appointment as standing subcommittees of the Board of Directors a Nominating Subcommittee to recommend officers and directors for each election cycle; a Service Subcommittee to oversee the quality of services offered to clients of EXCELLENCE INC.; and a Finance Subcommittee to oversee the annual fiscal audit, the accounts, records, and financial reports to ensure the fiscal well-being of EXCELLENCE INC.

17. Amendment of the Bylaws: The bylaws can be amended only by an affirmative vote of all directors.

18. Dissolution Clause: Use of funds and disposition of surplus asset or all assets at dissolution of EXCELLENCE INC. may only be distributed to other nonprofit or charitable organizations in the Kingdom of Jordan.

PART FOUR: POLICY AND PROCEDURE MANUAL

**Excellence in Institutional Development (EXCELLENCE INC.)
Section Page**

PART FOUR: POLICY AND PROCEDURE MANUAL

Excellence in Institutional Development (EXCELLENCE INC.)

(Agreement between the Board of Directors and the staff)

- 1- Administrative Guidelines subject to approval by the Board of Directors only
- 2- Board of Directors Resolutions on Operations
- 3- Operations Manual or Office Handbook (sometimes separate document)
- 4- Procedures for operating company's programs and activities
- 5- Description of the relationship between Board of Directors and staff
- 6- Description of the relationship between the staff and the committees
- 7- Job description and authority of each staff member
- 8- Employee obligations and benefits
- 9- Specific dues structure
- 10- Fees for company services
- 11- Policies regarding political activities
- 12- Membership application processes
- 13- Maintenance and protection of mailing lists
- 14- Naming of legal counsel
- 15- Meeting procedures and notices, agendas, and minutes
- 16- Office procedures for handling inquiries and requests
- 17- Operations of committees, committee chairmen, committee responsibilities, and assignment of staff to committees
- 18- Records and retention of documents

19- Procedures for publishing Company publications

20- Separate Section: Board of Directors positions on important public policy issues.

PART FIVE: OTHER DOCUMENTS WITH LEGAL STANDINGS

**Excellence in Institutional Development (EXCELLENCE INC.)
Section Page**

PART FIVE: OTHER DOCUMENTS WITH LEGAL STANDINGS

Excellence in Institutional Development (EXCELLENCE INC.)
(Agreements between the Board of Directors and the staff)

1. Employee Handbook
2. Salary Administration Handbook
3. Retirement and Fringe Benefit Agreements Handbook

ANNEXES

ANNEX ONE: BEST PRACTICES

EXPLANATION OF BEST PRACTICES

Every organization, in particular a voluntary nonprofit association or company, is different. Yet certain trends are taking place in this area of global business life that shows that the most successfully operated organizations are using very similar solutions to very difficult management problems. The trends are being welded into specialized concepts and are becoming known as *best practices* for leaders to consider and implement where practical and desirable.

The term *best practices* should be viewed as a designation for a recommended solution for which a particular organizational perplexity has very few clear-cut answers. *Best practices* are not platitudes or laws of nature set in concrete never to be modified. Rather, they are suggestions and food for thought for organizers who are facing the dilemmas of establishing working relationships between diverse individuals who are trying to solve mutual problems through nonprofit organizations.

Best practices listed in this report have not been substantiated nor codified by carefully conducted scientific research and by authoritative acceptance, but are simply ideas gleaned from conventional wisdom and lessons learned by professionals in management. Each stated practice should be viewed, altered, and applied while the implementers are being mindful of the history, the human dynamics, the societal and political culture, the urgency, the available leadership and resources, and the general circumstances of the organization considering these maxims.

It should also be noted that this list of *best practices* is in no way all-inclusive. This list covers only some of the more salient suggestions for the governance of an organization that is being shaped by its founders.

ACRONYMS AND ABBREVIATIONS

CSO = Chief Staff Officer

Chair = Chairman, chairperson, chairwoman of the Board of Directors

Director = An elected governing member of the organization

Staff = Employees of the organization

Association = nonprofit organization called association or company

Reader's Note

Because the wide variation in titles for the paid executives of associations, for clarification purposes in this report the title of Chief Staff Officer is used. The acronym is CSO. The CSO is normally the highest paid executive for an association. Private companies and sometimes nonprofit organizations use the Chief Executive Officer (CEO). That term, unfortunately often gets confused with the association term Chief Elected Officer with the same acronym, thus the use of CSO. The chief elected non-paid volunteer is referred to as the Chair of the Board or as the Chair. The volunteers serving on the governing body of the association are called directors. Staff refers to paid employees of the association.

Because the laws vary from country to country, the term *association* in this report refers to both a voluntary nonprofit association (Jordan American Business Association) or a not-for-profit shareholder operated company (Amman World Trade Center). Most of the best practices apply to both types of legal structure.

LIST OF BEST PRACTICES

1. THE LEGAL AND PHILOSOPHICAL UNDERPINNING OF AN ASSOCIATION

- 1.1 Best Practice: Nonprofit associations (or companies) in market-driven economies are ruled by legal documents called charters and bylaws.
- 1.2 Best Practice: Outstanding associations have directors who understand and have helped create the organization's basic philosophy.
- 1.3 Best Practice: Thriving associations know that the real owners are the members.
- 1.4 Best Practice: The most successful associations have an annual general assembly to which all members and interested parties are invited.

2. THE GOVERNING BODY OF AN ASSOCIATION

- 2.1 Best Practice: Selection for membership on an association's board is not a source of power; it is a major responsibility.
- 2.2 Best Practice: The board of directors should carry out the major functions of association.
- 2.3 Best Practice: Results-oriented boards follow parliamentary procedure.
- 2.4 Best Practice: Successful boards use sound meeting management principles.
- 2.5 Best Practice: The best boards are governed by written policies and procedures.
- 2.6 Best Practice: The board has the responsibility to govern and set policies and the staff has responsibility to administer the organization and carry out the policies established by the board.
- 2.7 Best Practice: Many associations form an executive committee with members selected from the directors serving on the current board.
- 2.8 Best Practice: Most successful boards have meetings that are open to their members and to the public.
- 2.9 Best Practice: The best associations understand what makes a board ineffective.
- 2.10 Best Practice: Most associations give titles and duties to association officers who are chosen by and from the board.

3. THE MANAGEMENT OF AN ASSOCIATION

- 3.1 Best Practice: The most effective associations have a management team.
- 3.2 Best Practice: In most associations, the Chief Staff Officer (CSO) has a wide variety of duties assigned by the board.
- 3.3 Best Practice: Establishing the proper relationship between the elected volunteer officers and the CSO is of major importance to the association.
- 3.4 Best Practice: The best associations understand that no single relationship in the organization is as important as that between the board and its CSO.
- 3.5 Best Practice: The CSO performs tasks determined by the directors including the hiring of the association's staff
- 3.6 Best Practice: Effective associations assign the task of being public spokesman to the chair with the CSO serving as the backup.
- 3.7 Best Practice: Well-led associations have directors who establish a process to evaluate the association executive's performance annually.

- 3.8 Best Practice: The most efficient boards have a fair balance of power among the officers, directors, and the Chief Staff Officer.

4. THE FINANCES OF AN ASSOCIATION

- 4.1 Best Practice: The board should insist upon sound accounting practices
- 4.2 Best Practice: The directors and the staff of *nonprofit* organizations fully understand that the organization must make *profits*.
- 4.3 Best Practice: The directors should insist upon understandable financial statements
- 4.4 Best Practice: The directors should have the responsibility to carefully analyze the financial statements of the association.
- 4.5 Best Practices: The directors should learn the details of the finances of an organization by asking the right questions.

5. THE WORK OF THE ASSOCIATION

- 5.1 Best Practice: The heart of an association is its action or work groups called committees
- 5.2 Best Practice: Outstanding associations have certain guiding principles for their committees.
- 5.3 Best Practice: The most prestigious associations actively advocate changes in public policy.

6. THE EFFECTIVENESS OF THE ASSOCIATION

- 6.1 Best Practice: The effectiveness of the board of directors can be enhanced by regular assessment of its activities and performance.
- 6.2 Best Practice: An annual board assessment gives each director the opportunity to evaluate the board's overall effectiveness at accomplishing its goals in a variety of activity areas.

COMMENTS ON BEST PRACTICES

1. LEGAL AND PHILOSOPHICAL UNDERPINNING OF AN ASSOCIATION

1.1 Best Practice: Nonprofit associations (or companies) in market-driven economies are ruled by legal documents called charters and bylaws.

Comments: Charters are normally granted by the governments and are proclamations naming the organization, outlining its basic purposes, and disclosing the names of founding members. The requirements of these charters vary from nation to nation. The second document for conducting the business of an association is called the bylaws, which lay out the rules for operating an association. Approved by the members, these two documents regulate the affairs of the group and provide guidelines for establishing, maintaining, and changing the organizational structures and operations.

The bylaws at a minimum include the following:

- ? The name of the association and its purpose
- ? The qualifications for membership including classes of membership such as associate, affiliate, and honorary, voting requirements and procedures, and provisions for proxies
- ? Dues or financial structure and fiscal policies (but not amounts). Dues should be determined by the board of directors and definitely should not be stated in the bylaws
- ? List of officers, terms, powers, duties, and rules for filling vacancies
- ? Definition of the role of the chief staff officer (CSO)
- ? Meeting schedules, such as quarterly board meetings, and annual general assembly meetings
- ? Standing Committee descriptions
- ? Process to amend the bylaws
- ? The process of dissolution procedures including a determination of what happens to the remaining assets of the dissolving organization

1.2 Best Practice: Outstanding associations have directors who understand and have helped create the organization's basic philosophy.

Comments: Associations need four things to convert good intentions into results: a strategic plan, a realistic marketing effort, strong leaders, and an adequate supply of money. The directors should have caused to be created a written Vision and Mission statements, a list of the Strategic Objectives, a Program of Work, and a Monitoring and Evaluation System. The association's activities should also be built around information and communication, not around hierarchy.

1.3 Best Practice: Thriving associations know that the real owners are the members.

Comments: A member voluntarily invests in a perceived value from the association. The first element of an organizational structure must be its members. Without members an association does not exist. Because in voluntary business associations, the members usually provide most of the money for operations in the long run, they can be considered the owners or the basis for authority. In the best associations, the members have the legal

right and the legal duty to decide the directions in which the group will go. They have the right to choose and discharge the board of directors through agreed on guidelines outlined in their bylaws. For all practical purposes, the members are the association. The terms are synonymous.

1. 4 Best Practice: The most successful associations have an annual general assembly to which all members and interested parties are invited.

Comments: The governance of the association lies ultimately with the membership. Because of the difficulty of assembling the entire membership of most associations, the power for running organizations is usually vested in directors. The members vote at the association's annual general assembly meeting to elect directors and to sanctify past directors' decisions. Even though most membership organizations give a great amount of authority to the board for policy and operation decisions, it is generally true that the members may override board actions, have the right to give directions to the board, and can vote to replace individual directors.

2. THE GOVERNING BODY OF AN ASSOCIATION

2.1 Best Practice: Selection for membership on an association's board is not a source of power; it is a major responsibility.

Comments: Generally, the selection process for new directors should be specifically described in the association's bylaws indicating the terms of office, number of directors, qualifications, methods for filling vacancies, procedures for removal, and provide for a rotating system of elections. The most effective boards tend to have term limits for directors; two terms, three years each seems to be the norm. New board members are selected through a nominating process in which the CSO is deeply involved. The CSO normally is the professional who should have serious input into who serves on the board; however, it should not be inferred from this best practice that the CSO should control the board through cronyism.

2.2 Best Practice: The board of directors should carry out the major functions of association.

Comments: The following are normally the major functions of a successful board:

- ? Establishes and maintains the legal entity, knows the bylaws, and makes contracts on behalf of the association
- ? Acts as trustee of members' interests by being sure that the assets are secure and that the quality of service, programs, activities, the prestige, and goodwill of the organization are preserved
- ? Assures that the vision, mission, strategic objectives, the program of work, and the board policies are current, focused upon, and implemented
- ? Evaluates the major facilities and resources
- ? Provides operating requirements and financial resources for qualified staff and generates member and community support
- ? Ensures that productive board and committee meetings are held
- ? Prevents unauthorized actions
- ? Reviews reports, staff performance, and standards
- ? Provides for reports to the members

2.3 Best Practice: Results-oriented boards follow parliamentary procedure.

Comments: Parliamentary procedure originated in early governmental deliberative bodies so those participating could have an orderly process for making decisions in a democratic, majority rule method. The foremost authority on parliamentary procedure used in most modern countries and by both governmental and private organizations is *Robert's Rules of Order*.³ The procedures recommended by this manual have become the standard operating procedure for association boards and committees. A newly formed board should appoint one of its directors as a parliamentarian whose duty is to learn the procedures and make certain they are correctly applied at each board meeting.

2.4 Best Practice: Successful boards use sound meeting management principles.

³ Reader's Note: There are many excellent reference books on parliamentary procedure that are simple and easy to use. These books are available on the Internet at www.amazon.com and www.bn.com.

Comments: Notices for a meeting are sent out early as possible and then followed by telephoning participants to remind them of the time and place. Good chairmen start meetings on time and end on time. Board members who come early are not punished by making them wait for those who arrive late. The chair should gain a reputation among directors that the starting time on the meeting notices are when the meeting starts. The chair should set an ending time and aim for it. If attendees know that the meeting is supposed to be over in one hour, they will conduct themselves in a manner to accomplish that goal. The chair and the CSO should make certain that a formal agenda is available for all to see at the beginning of the meeting. An agenda should be a working tool that allows the chair who serves as the moderator to move the conduct of the meeting forward without wasting time and energy on unrelated or irrelevant subjects.

2.5 Best Practice: The best boards are governed by written policies and procedures.

Comments: Policies are guiding principles that should be adopted by the board of directors. Procedures are working methods that can be adopted by the board but are ordinarily enacted and developed by the association's executive. Policies are of two kinds: (1) internal policies involve the day-to-day structure and operation of the association or chamber, for instance, office hours, dates and locations of the annual meeting and other meetings, size of the board of directors, and duties of the officers and directors; (2) external policies involve the philosophy of the membership, and the position of the association on problems and issues affecting the membership, the economy, and the public at large. For many associations, the most important internal policies deal with rules concerning employees' duties and the most critical external policies state the organization's political positions on issues before the government.

2.6 Best Practice: The board has the responsibility to govern and set policies and the staff has responsibility to administer the organization and carry out the policies established by the board.

Comments: To be effective, an association needs a strong board, but a board that does the board's work. The board not only helps think through the organization's vision and mission, it is the guardian of that philosophy. The board is responsible for 1) making sure the organization lives up to its basic commitment, 2) having competent management and the right management, and 3) appraising the performance of the organization. The board is also the premier fund-raising group, one important role it does not have in the for profit business. If a board doesn't actively lead in fund development, it is very hard to get the funds the organization needs. A board not only gets other people to give money, but should be the first and foremost to make their own investments. A board that understands its real obligations and sets goals for its own performance won't meddle in the day-to-day operations of the organization. That's the staff's role. If the board's role is open and undefined, the board will be one that interferes with details of administration and yet doesn't do its job.

2.7 Best Practice: Many associations form an executive committee with members selected from the directors serving on the current board.

Comments: An executive committee is a subgroup of the board of directors. The executive committee is most often made up of key volunteer officers and the CSO.

The function of this group is to conduct the business and make emergency-type decisions for the association between regular board of director meetings. Often an organization's bylaws outline the authority given the executive committee. The committee is sometimes responsible for employing the organization's CSO, but most associations reserve that duty for the full board of directors. The executive committee may evaluate the CSO's performance and regularly review the financial records of the association. The persons with the titles of chair, president, vice president, and treasurer plus a few other chosen directors will often constitute this leadership group.

2.8 Best Practice: Most successful boards have meetings that are open to their members and to the public.

Comments: In today's world of suspicious news media, an association who has open meetings is less vulnerable to negative press coverage than those that refuse entrance to non-board members thereby giving the appearance of having something nefarious to hide even when they do not. Boards with open meeting policies can call closed executive sessions on personnel matters.

2.9 Best Practice: The best associations understand what makes a board ineffective.

Comments:

- ? An unclear role for the board
- ? A reactive rather than a proactive approach by a majority of the board members
- ? A focus by some of the board members on minor operating details
- ? A confusing structure of board, committees, and staff with overlapping tasks or responsibilities that do not allow for the board to properly govern
- ? A chair who runs poorly planned board meetings with no agenda
- ? A CSO who does not prepare agendas and documents for the board
- ? A chair who allows domination by a few directors or by the CSO and allows discussion that is not directed at a specific item on the approved agenda

2.10 Best Practice: Most associations give titles and duties to association officers who are chosen by and from the board.

Comments: Titles and duties vary widely across the globe, but current trends indicate that most associations are using the following designations: Chair of the Board, President, Vice President, and Treasurer. The customs of multinational business corporations are influencing and changing the traditional association world. The chief elected volunteer in recent years has been given the title of Chair of the Board. This top official acts as moderator for board meetings. Some associations call the highest elected volunteer officer President, but the dominant trend in most nations now is to use that title to designate the key employee known as the Chief Staff Officer (CSO), with the title of Chair of the Board being used to signify the highest elected non-paid volunteer. In the past century, the CSOs have been called a variety of names: President, Executive Director, Secretary, Commercial Manager, General Manager, Executive Manager, Executive Secretary, Secretary General, Manager, Executive Vice President, and Director General, to name a few of the titles used. But as multinational business corporate titles have become more popular for use in associations, President is being used more and more to indicate the highest ranking paid professional association executive. The reason

for this switch, primarily, is to give the CSO more status in dealing with high-ranking governmental officials, the general public through the news media, and in working with other associations. For example, a news reporter would rather quote the "President" of an organization than to quote the "Executive Secretary."

3. THE MANAGEMENT OF AN ASSOCIATION

3.1 Best Practice: The most effective associations have a management team.

Comments: The chief elected volunteer usually serves a one-year term as Chairman of the Board and has full appointive responsibilities for the various volunteer positions of the association, including the chairs for committees. Some association bylaws require these appointments to be approved by the board. The CSO is given the duties of coordinating and managing the association's programs, operations, and paid staff. The paid CSO serves at the will of the board of directors. This employee often is responsible for assessing market needs and recommending to the board strategic objectives that will generate enthusiasm for the organization's activities. The CSO shares responsibilities with the chair as the official public spokesperson for the association. The CSO oversees the fiscal activities of the organization and determines the organization's services and programs with approval from the board of directors. The chair, the CSO, and the directors work together to determine policies. Other volunteer officers with titles such as Vice Chair, Treasurer, Secretary, and Chief Financial Officer, may be delegated by the chair to perform specific duties for the organization. Some of the most important subgroups of these volunteer officers carry the title of Vice Chairs. Another important volunteer position is the treasurer who must account for all funds received and spent by the association. The Treasurer, along with the CSO and possibly a bookkeeper, makes disbursements authorized by the board of directors.

3.2 Best Practice: In most associations, the Chief Staff Officer (CSO) has a wide variety of duties assigned by the board.

Comments: The following duties and authority are often assigned to the CSO:

- ? Administers programs approved by the directors to promote and protect the welfare of the members and the association's clients
- ? Conducts research projects
- ? Serves as a public spokesperson for the organization
- ? Assumes the duties of the treasurer and the secretary, especially in smaller associations, by keeping the accounts and recording the official business of the organization
- ? Prepares reports and agenda for board meetings, annual membership meetings, and other conferences or special meetings designated by directors
- ? Is responsible for having minutes recorded of all meetings of the board of directors or other designated meetings of official bodies of the association
- ? Develops and recommends new policies or changed policies for consideration by the directors and membership
- ? Prepares and submits for the directors' consideration an operating budget for the organization's next fiscal year and maintains and administers proper accounting procedures for the receipt and disbursement of funds
- ? Collects and disseminates all appropriate information that will be beneficial to members' business or professional activities
- ? Hires personnel necessary to carry out association programs and services

- ? Advises the board of directors on adjustments to unexpected changes in matters affecting industry, profession, or community
- ? Assumes full responsibility for purchase of equipment and supplies necessary to maintain and carry out the association's operation
- ? Originates and carries out a program of membership solicitation and retention
- ? Has a comprehensive knowledge of the legislative, administrative, and technical policies and regulations governing operation of the association
- ? Plans, directs, and organizes beneficial programs for association members in the field of management or technical subjects
- ? Maintains contact with governmental officials and monitors legislative developments, operations, and actions of governmental agencies
- ? Prepares and submits to the membership an annual report of the organization's results.
- ? Prepares an annual financial report
- ? Establishes regularly scheduled updates to an organization's external and internal policy manual for reference by leadership
- ? Establishes job descriptions for all association staff employees
- ? Prepares a staff policy manual reflecting all the organization's internal policies
- ? Maintains a close liaison with all news media

3.3 Best Practice: Establishing the proper relationship between the elected volunteer officers and the CSO is of major importance to the association.

Comments: Establishing who works for whom is critical to the smooth operations of successful associations. The paid staff always works for the unpaid volunteers, but in many situations the Chair and the CSO face possible conflict. To make certain that this does not occur often, the association would be wise to develop clearly defined written job descriptions that elaborate the duties and authority of each of these important positions.

3.4 Best Practice: The best associations understand that no single relationship in the organization is as important as that between the board and its CSO.

Comments: Probably no single relationship is as easily misconstrued or has such dire potential consequences. That relationship, well conceived, can set the stage for effective governance and management. The board provides counsel to CSO but should not get involved in the day-to-day affairs of the organization. Confusion and tension can arise when this rule is put to use practically, because the distinction between management and governance is not absolute. In order for this rule to work effectively, each party in this relationship needs to understand its own responsibilities and those that fall in the other's purview and the way in which the board and staff conduct their business needs to reflect this understanding. Clear expectations for the director need to be established and maintained, because a board that is overly active in management can inhibit the organization's effectiveness. Directors have very specific duties that are distinct from those of the CSO. Directors have fiduciary responsibilities and they are required to act within their authority primarily for the organization's benefit. Directors do not have power or authority individually. A board's decision-making ability lies in its group structure. While at times an individual board member may become extensively involved with one particular program area and be working with staff, this is usually temporary, and information regarding the need for increased attention by that board member should be

relayed regularly to the full board. Nonprofit boards generally have the duties of selecting and working with the executive director, amending bylaws, approving the annual budget and long-term strategic plans, and ensuring its own succession. The board often establishes committees to accomplish its activities, including financial, personnel, fundraising and planning functions. Through such committees, the board assists management in policy formation and strategic planning. While nonprofit staff may conceive, develop and implement the organization's plan, the board will often monitor the process and provide counsel; however, it is often true that in smaller, younger nonprofits with limited staff positions or experience, or in more grass-roots type organizations, board duties may include more tasks typically associated with management.

3.5 Best Practice: The CSO performs tasks determined by the directors including the hiring of the association's staff

Comments: In the most productive associations, the CSO duties are assigned by the board and supervised by the chairman of the board. The most important function reserved exclusively for the CSO is the right to hire and fire the association's staff within the budget approved by the board. In the name of good management, the CSO, and *only the CSO*, directs or reprimands other members of the staff. The Chair and the directors do not have the right to give orders to or reprimand a staff member since these employees work directly for the CSO and are not under the supervision of any other officer or member. A minor exception is when staff member is assigned to a certain committee. That staff member usually develops a working relationship with the committee chair and members. The committee chair has a need to be able to communicate directly with the assigned staff member, but if problems arise, the committee chair should work with the CSO to discipline the committee's assigned staff and not attempt to personally direct or reprimand the employee.

3.6 Best Practice: Effective associations assign the task of being public spokesman to the chair with the CSO serving as the backup.

Comment: Dealing with the media is an extremely difficult and important element in operating an association. Usually talking to the media representatives falls upon the highest levels of leadership in the organization. The chair is thought to be the best public spokesman for the group, however, in a voluntary organization, occasions arise where the chair is either unable or unwilling to face strong public exposure on a particular issue. In that case the CSO becomes the spokesman and "takes the heat" under the public spotlight.

3.7 Best Practice: Well-led associations have directors who establish a process to evaluate the association executive's performance annually.

Comments: The evaluation of the CSO should be based on the performance of duties established in the CSO's written job description. The review should be performed by a small group of directors appointed by the chair. Unfortunately, volunteers, placing the CSO in a very uncomfortable position, sometimes ignore the performance review. Without such a review, the CSO has little opportunities for pay increases or for knowing how to improve his or her performance.

3.8 Best Practice: The most efficient boards have a fair balance of power among the officers, directors, and the Chief Staff Officer.

Comments: The board should meet regularly, retain full and effective control over nonprofit organization, and monitor the executive management. There should be a clearly accepted division of responsibilities at the head of the association, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decisions. It is essential that there should be strong and independent members of the board and who are not subservient to the either the chair or the chief staff officer. The board should include directors of sufficient caliber and number for their views to carry significant weight in the board decisions. The directors determines a majority of significant policies adopted by the organization and should have a written list of matters specifically reserved to it for decision to ensure that the direction and control of the organization is firmly in its hands. All directors should have access to the advice and services of the CSO who is responsible to all members of the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Poorly operated associations do not use their board properly. As a result the boards then meddles in the day-to-day operations and petty bickering breaks out among directors and staff. It is up to the CSO to say, " This is the work of the board." The chair is responsible for supervision and the direction of the CSO. The best practice is for no other director to be allowed to give direct orders to the CSO other than the chair. Any question of the removal of the CSO should be a matter for the board as a whole.

4. THE FINANCES OF AN ASSOCIATION

4.1 Best Practice: The board should insist upon sound accounting practices

Comments: Each board member has a legal fiduciary responsibility to the members of the association. Fiduciary means "holding money in trust for another person." The directors are responsible for other people's money and must be responsible for spending it wisely and for spending it only to carry out the organization's mission. The question that each director must be able to answer from any member is, "What are you doing with my money?" The answer to this question must be given to any member of an association who asks. It is the director's responsibility to make certain that the CSO has kept them full informed on the financial situation of the organization. Many CSOs have lost their jobs because they were unable to give a concise, understandable answer. When a board and the CSO are dealing with other people's money, every dinar must be accounted for mathematically on paper. Proper financial management is not optional but a legal and moral requirement for all officers, directors, and staffs of any association. The board and the CSO should ask themselves this question on each expenditure. "Will this expenditure advance the association's capacity to carry out our mission?" The CSO and the board of directors have joint oversight roles, which include the responsibility to ensure that their organization's assets are protected, the operations are profitable, and the financial information is accurate. Rarely, however, do these individuals have formal accounting or financial management training. In this situation, the executive and board members have a responsibility to 1) educate themselves in the elementary basics of financial management, 2) be able to recognize when problems exist, 3) know where to go for assistance if it is needed, 4) be prepared to take corrective action, and 5) to plan for future financial growth and strength of the association.

4.2 Best Practice: The directors and the staff of *nonprofit* organizations fully understand that the organization must make *profits*.

Comments: Many people have a mistaken view about profits when considering associations. Often called nonprofit organizations, associations are legally not allowed to distribute dividends or monetary rewards to members in exchange for investments in the association. This fact does not mean that an association should not try to make a profit on its operations. A viable organization must bring in more revenue than it expends. The term *profit* simply means the amount of money that remains after all the debts and financial obligations have been paid during a specified period of time. In the business world, that money (profits) can be given to the owners as rewards for their investments. In associations, the money left over is kept by the organization to be used to improve and/or expand its assets and operations. The profits cannot be given out to its members (owners). In order to be a viable growing entity, a profit must be made from the activities of an association. Bankruptcy comes from bringing in less money than is spent. Associations must make certain that their programs and projects are designed to make profits. It is a moral imperative for the board of directors to make a profit if the organization is to continue to provide services, products, and programs.

4.3 Best Practice: The directors should insist upon understandable financial statements

Comments: Financial statements should be constructed to provide management what it needs to effectively control the organization. The statements should be comparative, showing current financial data as well as past financial performances. They should be understandable to non-accounting directors and easy to interpret. In addition, the statements should be streamlined, relatively brief, and not filled with unnecessary details. The financial statements should be timely and accurate. It is the best practice for internal financial statements to be prepared and distributed on a monthly basis, preferably within ten working days after the close of the prior month and as soon as the cash reconciliation is complete. When statements other than monthly ones are prepared, and it takes longer than ten days to distribute them, board and the CSO cannot take proactive, well thought-out action to correct problems. Rather, decisions will be based on old data, problems may worsen, and valuable time will be lost that could have been used to make corrections. Unless the data is accurate, the directors and the CSO are conducting an exercise in futility. The financial statements should not be overly complex and cumbersome. The best practice is to begin with the distribution of monthly reports that show budgeted and actual figures. These monthly statements should be prepared and distributed by the CSO within ten working days after the close of the prior month. Proper timing of these monthly financial statements is essential if directors want to be in a proactive rather than reactive position to correct budgetary problems. The sooner the directors recognize that problems exist, the faster corrective plans of action can be implemented.

4.4 Best Practice: The directors should have the responsibility to carefully analyze the financial statements of the association.

Comments: Once directors receive the monthly financial statements, they have two responsibilities: 1) they must analyze the revenue and expenses; and 2) they must determine what went right and what went wrong during the reporting period. This continual or rolling approach to monthly budget reporting has two advantages: the continual approach breaks down time-consuming annual budgeting processes into twelve easily manageable budget increments and the continual approach results in a remarkably accurate and detailed budget. This system is easy to implement, easy to manage, requires much less staff time, ensures true fiscal accountability, predicts the ability to pay the bills, and results in a far more accurate budget than other budgeting approaches.

4.5 Best Practices: The directors should learn the details of the finances of an organization by asking the right questions.

Comments: In analyzing an association's financial statement should know the answers to these following perceptive questions.

- ? Will the association be able to pay its bills and payroll during the coming month and the coming year?
- ? Has the money been spent wisely?
- ? Is the incoming revenue more or less than in previous accounting periods?
- ? What are the reasons for any variations?
- ? Are the expenses of the organization properly explained?
- ? Are the various expenditures in line with the budget?
- ? What are the reasons for variations?
- ? Are variations in the expenses compared to those in previous accounting periods?
- ? Are reserves being accumulated for the future?
- ? Does the management really understand the true financial situation of the organization?
- ? What are the assumptions that have been made on any projected figures?
- ? When was the last professional audit of the association's books?

5. THE WORK OF THE ASSOCIATION

5.1 Best Practice: The heart of an association is its action or work groups called committees

Comments: Because a sufficient amount of money is never available in the associations' treasury to hire enough staff to carry on all the work, volunteers are organized into groups called committees or task forces. The effectiveness of the committees determines the overall success of the organization. Boards have such committees as a bylaw committee, a personnel committee, an economic development committee, a governmental affairs committee, a membership recruitment committee, a trade show committee, a nominating committee, an international committee, and on and on. The committees should be the first step in weighing ideas and problems suggested by members. Equally important, committees are proving grounds for identifying and training future leaders of the association. A continual supply of good candidates for the top positions of the association is necessary for long-term success.

5.2 Best Practice: Outstanding associations have certain guiding principles for their committees.

Comments: To be most effective, a committee should:

- ? Have a written statement of purpose that all members have reviewed
- ? Be chaired by an individual who guides the committee process
- ? Consist of carefully selected members who are interested, qualified, and compatible
- ? Be assisted by a staff person who acts as advisor and administrator
- ? Carefully plan its agenda
- ? Have a sense of priorities and of timing
- ? Keep thorough minutes and records
- ? Be periodically infused with new members
- ? Regularly evaluate its activities against its statement of purpose

5.3 Best Practice: The most prestigious associations actively advocate changes in public policy.

Comments: Associations in market-demand economies are uniquely suited to actively participate in the public decision making process. Associations promote their own interests by advocating reforms in laws to foster competition and open markets. As associations vigorously serve their members, a wider public value often accrues. To be effective, a new organization should promote growth of private taxpaying enterprises and encourage business and governmental excellence, effectiveness and ethics. It should seek to ensure the commercial and industrial development by helping entrepreneurs create and expand new and existing businesses, thereby increase job opportunities. The leaders should help government improve operation to improve the nation's likelihood of success in the global economic competition. The association members should also strive to improve the quality of life for all because doing so serves the commonwealth as well as their own interests.

6. THE EFFECTIVENESS OF THE ASSOCIATION

6.1 Best Practice: The effectiveness of the board of directors can be enhanced by regular assessment of its activities and performance.

Comments: An assessment process can help board members to understand their role, and encourage fulfillment of board responsibilities. The process need not be complicated; it can be placed on the agenda of a board meeting, or can occur regularly within board meeting discussions through questions that serve to refocus the board on larger issues. For example, a useful strategy is to conclude board meetings by asking board members to rate the effectiveness of the meeting on an index card by asking these questions: *1) Were the issues covered today significant? 2) Did the materials you received prior to the meeting adequately prepare you to participate in the discussion? 3) Did the board conduct matters of management or policy? 4) Overall, was the meeting worth your time?* A steady stream of feedback created by these responses and used by the board chair and CSO can greatly improve the value of board meetings.

6.2 Best Practice: An annual board assessment gives each director the opportunity to evaluate the board's overall effectiveness at accomplishing its goals in a variety of activity areas.

Comments: the annual assessment can be scheduled to occur during a board meeting, or completed by board members on their own time and returned to the agency. Results of the evaluation can be shared at subsequent board meetings and appropriate follow-up then determined.

Self Assessment Questions for directors:

- ? To what extent are the goals of the board clear to you?
- ? To what extent is your role on the board clear to you?
- ? How would you rate the board's problem-solving abilities?
- ? To what extent is conflict on the board managed productively?
- ? How effective are the board's decision-making processes?
- ? What is the quality of communication among board members?
- ? What is the quality of communication from the leadership to members?
- ? What is the quality of communication from the leadership to committees?
- ? What is the quality of communication from members to the leadership?
- ? What is the quality of communication between board and staff?
- ? If you could change three things about how board members work together, what would they be and why?

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ANNEX TWO: PARLIAMENTARY PROCEDURES

Table of Rules related to Motions

**John A. Cagle, 2001 -- Based on
Robert's Rules of Order
Newly Revised**

Motions

MOTION (by order of precedence)	Interrupt	Second	Debatable	Amendable	Vote
Adjourn	No	Yes	No	No	Majority
Recess	No	Yes	Sometimes	Yes	Majority
Question of Privilege	Yes	No	No	No	Chair
Personal Privilege	Yes	No	No	No	Chair
Parliamentary Inquiry	Yes	No	No	No	Chair
Point of Information	Yes	No	No	No	Chair
Orders of the Day	No	No	No	No	Chair
Lay on the table	No	Yes	No	No	Majority (2/3)
Previous Question	No	Yes	No	No	2/3
Limit or extend debate	No	Yes	No	Yes	2/3
Postpone to a certain time	No	Yes	Yes	Yes	Majority
Refer to committee	No	Yes	Yes	Yes	Majority
Amend	No	Yes	If motion is	Yes	Majority
Postpone Indefinitely	No	Yes	Yes	No	Majority
MAIN MOTION	No	Yes	Yes	Yes	Majority
RECONSIDER	Yes	Yes	If motion is	No	Majority
RESCIND	No	Yes	Yes	No	2/3

					(majority)
AMEND MOTION PREVIOUSLY ADOPTED	No	Yes	Yes	Yes	2/3 (majority)

INCIDENTAL MOTIONS -- NO ORDER OF PRECEDENCE

MOTION (no order of precedence)	Interrupt	Second	Debatable	Amendable	Vote
Appeal from decision of chair	Yes	Yes	Sometimes	No	Majority
Suspend the rules	No	Yes	No	No	2/3
Object to consideration	Yes	No	No	No	2/3 against con.
Point of order	Yes	No	No	No	Chair
Withdraw a motion	Yes	Yes	No	No	Majority
Division of question	No	Yes	No	Yes	Majority
Division of assembly	Yes	No	No	No	None

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